



NEPTUNE
technologies & bioresources

Second Quarterly Report
Ending November 30, 2006

EXECUTIVE ANALYSIS ON THE FINANCIAL SITUATION AND PRODUCTION RESULTS / EXECUTIVE COMMENTS AND ANALYSIS

This analysis is presented in order to provide the reader with an overview of the changes to the financial situation for Neptune Technologies & Bioresources Inc. ("Neptune" or "the Company") between May 31, 2006 and November 30, 2006. It also includes a comparison between the operational results, treasury flow and financial situation for the 3-month period ending November 30, 2006 and those from the 3-month period ending November 30, 2005.

This analysis, completed on January 17, 2007, must be read in conjunction with the Company's audited and consolidated financial statements as at May 31, 2006, presented in the last annual report. Neptune financial statements were produced in accordance with Generally Accepted Accounting Principles (GAAP). Company results are published in Canadian dollars. All amounts appearing in this executive analysis are in Canadian dollars, unless otherwise indicated.

OVERVIEW

Neptune's second quarterly report ending November 30, 2006 was dedicated to the marketing of its products in North America and Asia. Neptune also deployed development initiatives in the European and Australian market. To accomplish this, the Company participated in various tradeshows to promote its products and increase its presence in new markets to favour its growth. Neptune also maintains its new commercial approach aimed at building strategic alliances with potential partners in the nutraceuticals, functional and medical food markets, as well as the biopharmaceutical market.

The Company capitalizes on the results of its clinical research and benefits to this day from scientific results that demonstrate the benefits of Neptune Krill Oil (NKO™) on various human conditions, such as those relating to skin cancer, premenstrual syndrome, elevated cholesterol levels, inflammation problems and attention deficit and hyperactivity disorder.

During the first quarter of the May 31, 2007 fiscal year-end, the Company generated sales of \$1.95M, as compared to \$1.35M for the quarter ending November 30, 2005, an increase of 44%. On November 24, 2006, the Company also closed a private placement for \$4.5M issuing 1.5M shares at 3\$ per share. This financing allows the Company to accelerate its strategic business initiative and its research and development programs in the cognitive and joint health applications. The Company will also use part of the proceeds to increase the Company's sales, marketing and business development efforts as well as for working capital.

PRINCIPAL QUARTERLY FINANCIAL DATA

(In thousands of dollars, except per share data)

Fiscal Year Ending May 31, 2007

	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales Figures	3,499	1,552	1,947		
EBITDA ⁽¹⁾	849	303	546		
Net Loss	735	286	449		
Loss per Share basic and diluted	0.021	0.008	0.013		

Fiscal Year Ended May 31, 2006

	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales Figures	6,912	1,683	1,354	1,745	2,130
EBITDA ⁽¹⁾	1,049	342	245	235	227
Net Earnings (Net Loss)	(886)	(390)	(453)	665	(708)
Profit (Loss) per Share basic and diluted	(0.029)	(0.015)	(0.018)	0.021	(0.023)

Fiscal Year Ended May 31, 2005

	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales Figures	4,838	1,117	1,171	1,176	1,374
EBITDA ⁽¹⁾	401	151	119	117	14
Net Loss	1,768	388	503	344	533
Loss per Share basic and diluted	0.069	0.015	0.020	0.013	0.021

- ⁽¹⁾ The EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is presented for information purposes only and represents a financial performance measurement tool mostly used in financial circles. Because there is no standard method endorsed by Canadian GAAP requirements, the results may not be compared to similar measurements presented by other public companies. Neptune obtains its EBITDA measurement by adding to net earnings, financial expenses, amortizations, income taxes and losses on exchange incurred during the fiscal year. Neptune also excludes the effects of non-monetary transactions recorded in the contributed surplus, such as stock option related compensation, for its EBITDA calculation.

In the second quarter ending November 30, 2006, the Company recorded an EBITDA of \$0.546M compared to \$0.245M in last year corresponding quarter ending November 30, 2005, an increase of 123%. The Company also reported non-cash stock options related compensation of \$0.730M for employees and non-employees for the quarter ending November 30, 2006 for a total of \$1.064M for the first six months of the current fiscal year. Note that these non-cash expenses relates primarily to the granting of new options and the increase in the Company's share value. If we were to exclude these non-cash expenses, the Company would have realised a net profit of \$0.329M for the first six months of the current fiscal year.

TREASURY FLOW AND FINANCIAL SITUATION

Operating Activities

During the second quarter ending November 30, 2006, the Company's operations generated a decrease in liquidities of \$0.510M, compared to a decrease of \$0.439M for the quarter ending November 30, 2005. The decrease of \$0.510 is due in large part to changes in the working capital items from one quarter to the other. The changes to the working capital items for the second quarter ending November 30, 2006 are mainly due to an increase in receivables in the amount of \$0.447M, an increase in inventories totalling \$0.728M, and an increase in accounts payable amounting to \$0.257M, as compared to the first quarter ending August 31, 2006.

Investment Activities

During the second quarter ending November 30, 2006, the investment activities generated a decrease in liquidities of \$4.639M. The decrease in mainly due to the increase in short term deposits for \$3.550M following the financing and the acquisition of the plant for \$1.255M net from the seller's balance of sale in the form of a secondary mortgage loan of \$0.400M.

Financing Activities

During the second quarter ending November 30, 2006, the financing activities generated an increase in liquidities of \$4.639M. This increase is mainly due to the November 2006 private placement of \$4.500M and the financing of the plant acquisition for \$0.855M. In counterpart the Company had to disburse \$0.344M in share issue expenses and \$0.212M in long term debt reimbursement. Finally, the Company reimbursed its credit line for \$0.110M.

Overall, taking the treasury flow into account, the Company decreased its cash by 0.245M since August 31, 2006.

Financial Situation

The following table details the important changes to the balance sheets as at November 30, 2006 and May 31, 2006:

Accounts	Increase (Reduction) (In thousands of dollars)	Comments
Cash	(831)	See cash flow statement
Short term investment	3,550	Placement of part of the financing
Receivables	797	Increase in sales and credit terms extension
Inventory	1,237	Increase in both raw materiel and NKO inventories in order to secure increase in sales and production
Fixes assets	1,006	Plant acquisition
Accounts payable and accrued liabilities	128	Good management of payables
Long term debt	1,043	Financing of plant acquisition

PRIMARY ANNUAL FINANCIAL RATIOS

	November 30, 2006	May 31, 2006	May 31, 2005
Working Capital Ratio (current assets / current liabilities)	3.40	1.80	1.19
Solvency Ratio (Debt Capital/Shareholder Equity)	0.63	1.26	1.47

[†] including convertible debentures

Most of the Company's financial ratios improved for the quarter ending November 30, 2006, as compared to the year ended May 31, 2006. This was mostly due to the overall real performance of the Company and the issuance of capital stock.

The Company's contractual obligations, including payments due during the next 5 reporting periods and the following ones, are presented in the following table:

(In thousands of dollars)

Required payments per periods

Contractual Obligations	Required Payments per Period				
	Total	Less than one period	2 to 3 periods	4 to 5 periods	More than 5 periods
Long-term Debt*	4,654	983	1,855	1,149	667
Loans guaranteed by investments in rental contracts**	72	34	33	5	-
Other rental contracts	1,013	134	291	281	307
Total liabilities	5,739	1,151	2,179	1,435	974

* This amount is not reduced by the assigned to warrants and common shares.

** Including interest fees

Related Party Transactions

The transactions between related parties are described in note 2 "Related Party Transactions" of the Company's financial statements as at November 30, 2006.

Change in Accounting Policies

No changes in accounting policies since May 31, 2006.

Subsequent Events

There were no subsequent events of importance after November 30, 2006.

RISK FACTORS**Financial Risks**

Management intends to continue the careful management of risks relating to exports, foreign exchange, interest rates and sale prices for its merchandise.

The majority of the Company's accounts receivables are 90% guaranteed by insurers. U.S. currency is used for the majority of foreign transactions. For the time being at least, any exchange rate risk to the Company is mainly limited to the variation of the American dollar. Despite the fact that raw material purchases are currently handled in U.S. currency, Management also has the ability to financial instrument to minimize the exchange risk.

Product Liability

The Company acquires a \$5M liability insurance policy to cover civil liability relating to its products on a yearly basis. The Company also maintains a quality-assurance process that is QMP certified by the Canadian Food Inspection Agency (CFIA). Additionally, the Company has obtained *Good Manufacturing Practices* accreditation from Health Canada.

Prospective Statements

This Executive Analysis contains prospective information. Prospective statements include a certain amount of risk and uncertainty, and it is possible that the actual future results of the Company differ somewhat from those predicted. These risks include: the growth in demand for Company products, seasonal variations in customer orders, changes in pricing and availability for raw materials, and changes to economic conditions in Canada, the United-States and Europe (including changes to exchange and interest rates).

The Company based its analysis on the prospective statement information available at the time of drafting. The inclusion of this information should not be considered a declaration by the Company that the predicted results have been achieved.

Additional Information

Updated and additional Company information is available from the SEDAR Website at: <http://www.sedar.com>.

On January 29, 2007, the total number of common shares issued by the Company and in circulation was 36,272,289, and Company common shares were being traded on the TSX stock exchange in Toronto under the listing NTB.

/s/ Henri Harland
President and CEO

/s/ André Godin
Vice-president, Administration & Finance

Neptune Technologies & Bioresources inc.
Interim Consolidated Statement of Earnings
(unaudited)

	Three months ended		Six months ended	
	2006	November 30, 2005	2006	November 30, 2005
			\$	\$
Sales	1 947 595	1 354 451	3 499 084	3 037 604
Cost of sales and operating expenses (before amortization and stock option related compensation)	1 311 173	1 041 681	2 505 400	2 322 857
Stock option related compensation	729 579	125 307	1 063 720	199 142
Research expenses	93 112	67 751	150 010	128 375
Financial expenses	153 389	293 933	283 141	596 900
Amortization	159 808	251 187	311 603	536 362
	2 447 061	1 779 859	4 313 874	3 783 636
Loss before the undernoted	(499 466)	(425 408)	(814 790)	(746 032)
Interest income	2 642	217	4 869	412
Foreign exchange gain (loss)	48 218	(27 411)	75 208	(96 810)
Net loss	(448 606)	(452 602)	(734 713)	(842 430)
Basic and diluted loss per share	(0,013)	(0,018)	(0,021)	(0,033)
Weighted average number of shares outstanding	34 520 703	25 594 805	34 520 703	25 594 805

The accompanying notes are an integral part of the consolidated financial statements.

Neptune Technologies & Bioresources inc.
Interim Consolidated Statement of Deficit
Interim Consolidated Contributed Surplus
(unaudited)

Interim Consolidated Statement of Deficit

	Three months ended		Six months ended	
	November 30,		November 30,	
	2006	2005	2006	2005
			\$	\$
Balance at the beginning of the period	(15 523 369)	(14 372 265)	(15 237 262)	(13 982 437)
Net loss	(448 606)	(452 602)	(734 713)	(842 430)
Share issue expenses	(343 688)		(343 688)	
Balance at the end of the period	(16 315 663)	(14 824 867)	(16 315 663)	(14 824 867)

Interim Consolidated Contributed Surplus

	Three months ended		Six months ended	
	November 30,		November 30,	
	2006	2005	2006	2005
	\$		\$	\$
Balance at the beginning of the period	1 506 257	419 232	1 172 116	345 387
Stock option related compensation – employees	371 848	38 656	678 376	106 566
Stock option related compensation – non-employees	357 731	86 641	385 344	92 576
Balance at the end of the period	2 235 836	544 529	2 235 836	544 529

The accompanying notes are an integral part of the consolidated financial statements.

Neptune Technologies & Bioresources inc.
Interim Consolidated Statement of Cash Flows
(unaudited)

	Three months ended		Six months ended	
	2006	November 30, 2005	2006	November 30, 2005
			\$	\$
OPERATING ACTIVITIES				
Net loss	(448 606)	(452 602)	(734 713)	(842 430)
Non-cash items				
Amortization of property and equipment	157 566	249 881	307 118	533 774
Amortization intangibles assets	2 242	1 307	4 485	2 588
Amortization of deferred financing costs	1 806	8 716	5 962	14 998
Capitalized interest on long term debt	11 552	189 919		380 070
Stock option related compensation – employees	371 848	38 656	678 376	106 566
Stock option related compensation – non-employees	357 731	86 641	385 344	92 576
Changes in working capital items (note 3)	(964 262)	(561 257)	(1 949 801)	(684 910)
Cash flows from operating activities	(510 123)	(438 740)	(1 303 229)	(396 768)
INVESTING ACTIVITIES				
Property and equipment	(902 806)	(5 093)	(910 860)	(5 093)
Intangible assets	(21 002)	(17 974)	(23 919)	(53 001)
Short term deposits	(3 550 000)		(3 550 000)	
Others assets	100 000	(10 977)	100 000	(10 977)
Cash flows from investing activities	(4 373 808)	(34 044)	(4 384 779)	(69 071)
FINANCING ACTIVITIES				
Bank loan	(110 000)		(40 000)	
Increase of long-term debt - plant	855 000		855 000	
Repayment of long-term debt	(212 135)	(19 819)	(212 135)	(77 382)
Issue of capital stock	4 500 000	568 981	4 500 000	568 981
Issue of capital stock upon exercise of options	(50 136)		98 258	
Share issue expenses	(343 688)		(343 688)	
Cash flows from financing activities	4 639 041	549 162	4 857 435	491 599
Net increase (decrease) in cash and cash equivalents	(244 890)	76 378	(830 573)	25 760
Cash and cash equivalents at the beginning of period	290 218	131 332	875 901	181 950
Cash and cash equivalents at the end of period	45 328	207 710	45 328	207 710

The accompanying notes are an integral part of the consolidated financial statements.

Neptune Technologies & Bioressources inc.
Interim Consolidated Balance Sheets
(unaudited)

	Unaudited November 30, 2006	Audited May 31, 2006
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	45 328	875 901
Short term deposits (3.5%)	3 700 000	150 000
Accounts receivable	2 281 009	1 484 063
Research tax credits receivable	146 738	109 858
Inventories	2 493 885	1 256 573
Prepaid expenses	144 291	137 438
	8 811 251	4 013 833
Property and equipment	4 463 235	3 457 394
Intangible assets	527 010	507 576
Other assets	26 697	135 009
	13 828 193	8 113 812
LIABILITIES		
Current liabilities		
Bank loan		40 000
Accounts payable and accrued liabilities		
Company controlled by an officer and director	37 446	9 901
Other	1 538 857	1 438 214
Short term portion of long term debt	1 017 140	742 571
	2 593 443	2 230 686
LONG-TERM DEBT (note 4)	3 714 310	2 946 263
	6 307 753	5 176 949
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Capital stock (note 5)	21 600 267	17 002 009
Contributed surplus	2 235 836	1 172 116
Deficit	(16 315 663)	(15 237 262)
	7 520 440	2 936 863
	13 828 193	8 113 812

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

/S/ Henri Harland
President and Director

/S/ Michel Timperio
Administrator

Neptune Technologies & Bioressources inc.

Notes complémentaires intermédiaires

November 30, 2006 (unaudited)

1 - INTERIM FINANCIAL INFORMATION

These interim consolidated financial statements as at November 30, 2006 are unaudited. They have been prepared by the Company in accordance with generally accepted accounting principles in Canada for interim information and use the same accounting policies as the consolidated financial statements for the fiscal year ended May 31, 2006. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Company's 2006 annual report. The interim financial statements have not been reviewed by the auditors.

2 - RELATED PARTY TRANSACTIONS

The Company is committed with a shareholder (a company controlled by an officer and director), to pay royalties in semi-annual instalments of 1% of net annual sales, for an unlimited period. The amount paid cannot exceed net earnings before interest, taxes and amortization. For the current period of six months, total royalties amount to \$19,476 (\$13,472 in 2005). As at November 30, 2006, the balance due to this shareholder amounts to \$34,946 (\$17,530 as at August 31, 2006). This amount is presented on the balance sheet under accounts payable and accrued liabilities.

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration determined and accepted by the parties involved.

3 - INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	Three months ended		Six months ended	
	November 30,		November 30,	
	2006	2 005	2006	2 005
			\$	\$
Trade accounts receivable	(446 971)	(178 165)	(796 946)	(384 905)
Research tax credits receivable	(16 292)	(19 314)	(36 880)	(33 729)
Inventories	(727 985)	(389 607)	(1 237 312)	(240 914)
Prepaid expenses	(29 618)	7 240	(6 853)	6 242
Accounts payable and accrued liabilities	256 604	18 589	128 190	(31 604)
	(964 262)	(561 257)	(1 949 801)	(684 910)

4 - LONG TERM DEBT

	November 30, 2006	May 31, 2006
	\$	\$
Mortgage loan, \$1,200,000 par value, secured by processing and laboratory equipment having an amortized cost of \$2,759,496 in 2006, prime rate plus 6.75% (14.75% as at November 30, 2006, and at May 31, 2006), payable in monthly capital instalments of \$26,650, with a moratorium on instalments until August 2006, maturing in February 2010	1 040 050	1 120 000
Mortgage loan, \$980,000 par value less the net value of series "E" warrants, secured by the universality of property, weekly variable interest rate determined by the lender plus 5% (12.5% as at November 30, 2006, 12.25% as at May 31, 2006), payable in 60 monthly capital instalments of \$16,333 with a moratorium on instalments until August 2006, maturing in September 2011	914 893	957 713
Mortgage loan, \$1,500,000 par value less the net value of the issued shares, secured by the universality of property, weekly variable interest rate determined by the lender plus 3% (2.25% in (10.5% as at November 30, 2006, 10.25% as at May 31, 2006), payable in 60 monthly capital instalments of \$25,000 with a moratorium until August 2006, maturing in September 2011	1 381 798	1 443 923
Mortgage loan, \$855,000 par value, maturing in 15 years, secured by plant property, fixed interest rate at 7.70% (10 years), and payable during the first 10 years by monthly instalments of \$8 057.71\$. Balance to be renegotiated after 10 years.	852 581	0
Secondary mortgage loan, \$399,750, secured by plant property, fixed interest rate at 10.25%. Maturing in 5 years, and payable during 5 years by monthly instalments of \$8 500.94\$. ⁽¹⁾	394 593	0
Obligations under capital leases, interest rates varying from 0.00% to 15.46%, payable in monthly instalments of \$4,633 (\$7,235 as at May 31, 2006), maturing at different dates until october 2010.	77 535	97 198
Unsecured loan, without interest, matured	70 000	70 000
	4 731 450	3 688 834
Short term portion of long term debt	1 017 140	742 571
	3 714 310	2 946 263

(1) This secondary mortgage loan represents the balance of sale of \$399,750, financed by the seller, for the plant acquisition in the amount of \$1,254,750.

5 - CAPITAL STOCK

	November 30, 2006	May 31, 2006
	\$	\$
Issued and fully paid		
36 154 790 common shares (34 292 290 share at May 31, 2006)	21 600 267	17 002 009
	21 600 267	17 002 009

During the period, changes in the Company's issued capital stock were as follows:

	Number of shares	Consideration \$
Common shares		
Balance as at May 31, 2005	25 594 805	10 656 737
Issued following the conversion of debentures	3 800 000	3 881 512
Issued for cash	600 000	600 000
Issued as settlement of expenses	288 188	288 188
Issued upon exercise of stock options	733 375	416 499
Issued upon exercise of series "H" and "I" warrants	3 275 922	1 159 073
Balance as at May 31, 2006	34 292 290	17 002 009
Issued upon exercise of stock options	362 500	98 258
Issued in connection of a private placement	1 500 000	4 500 000
Balance as at November 30, 2006	36 154 790	21 600 267

6 - OPTIONS RELATED COMPENSATION PLAN

The Company introduced a stock-based compensation plan for its directors, managers, employees and consultants.

Activities within the plan are detailed as follows:

	November 30, 2006		May 31, 2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Options outstanding at the beginning of the period	3 703 875	0,25	2 926 000	0,25
Granted	1 202 500	2,69	2 796 000	0,53
Exercised	(362 500)	0,27	(733 375)	0,26
Cancelled	(145 500)	0,67	(1 284 750)	0,27
Options outstanding at the end of the period	4 398 375	1,08	3 703 875	0,45
Exercisable options as at the end of the period	1 288 875	0,41	843 042	0,3

	November 30, 2006				
	Options outstanding			Exercisable options	
Range of exercise prices	Weighted average exercise price	Weighted remaining contractual life outstanding	Number of options outstanding 30-11-2006	Number of options exercisable as at 30-11-2006	Weighted average exercise price
	\$				\$
0,25	0,25	2,98	2 412 875	1 050 375	0,25
0,75 à 1,00	0,99	4,13	467 000	115 500	0,99
1,15 à 1,75	1,31	2,77	316 000	123 000	1,31
2,60 à 3,00	2,63	4,61	1 122 500	0	0,00
3,50	3,50	5,00	80 000	0	0,00
	1,07	3,54	4 398 375	1 288 875	0,42

7 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

8 - SEGMENT DISCLOSURES

Descriptive information on the Company's reportable segments

The Company has only one reportable operating segment: processing and commercializing products derived from marine biomasses.

Geographic information

All the Company's assets are located in Canada.

The Company sales are attributed to the following countries based on the customer's country of domicile:

	November 30, 2006		
	3 month	6 month	May 31, 2006
		\$	\$
Canada	205 273	224 640	1 471 904
United States	1 158 363	2 122 550	4 203 194
Europe	503 618	994 597	519 068
Asia	80 342	157 298	717 558
	1 947 595	3 499 084	6 911 724

Information about major customers

For the 6 month period, an amounts of \$1,453,805 of the Company's total sales are from five customers (\$1,266,387 from two customers in 2005)